



STATUS OF THE BULLION TAX COLLECTIONS UNDER REVIEW

To The Tonopah Bonanza:

I have read a statement in your issue of the 9th inst. from Mr. J. S. Austin, president of the Tonopah Mining Company, regarding bullion tax matters as disclosed by the report of the expert accountants employed by the grand jury that large amount of bullion taxes properly available to Nye county are shown to have been evaded by the Tonopah Mining Company of Nevada.

In his statement as published Mr. Austin attempts to justify the said alleged delinquency and arrearage in words as follows, viz:

"In all our statements for taxes, our books have at all times been open to public officials, and have been examined by them whenever they desired. Our ore was sold for as high a price as could be obtained from any custom mill, and our bullion taxes were paid on the product of the mine valued on that basis. No bullion tax was ever paid by customs mills, and we claimed that the same rule should apply to us, and this was agreed to by public officials. We are prepared to defend this position. We resent any implication of fraud, as all our books and accounts have been examined by public officials whenever they desired to do so."

From the above you will note that Mr. Austin does not in a single instance refer to the laws of Nevada relative to bullion tax payable on the net proceeds of mines, neither does he attempt to show that his "method" of diverting the greater part of the net proceeds of the mines of the Tonopah Mining Company of Nevada to the subsidiary milling company (which is owned outright through absolute stock ownership of the milling company by the mining company) for the purpose of evading the payment of bullion taxes thereon, is within the law but for the purpose of attempting to justify such action he refers to "agreements with public officials" which one would naturally infer were some sort of agreements whereby his company would be privileged to either disregard the laws in regard to bullion taxes, or to violate the same.

Section 3687, Vol. 1, Revised Laws of Nevada, says: "All proceeds of mines, including ores, tailings, borax, soda and mineral bearing materials, of whatever character, shall be assessed for purposes of taxation, for state and county purposes quarterly in the manner following: From the gross yield or value of all ores, tailings, borax, soda or mineral-bearing material of whatever character, there shall be deducted the actual cost of extracting said ores or mineral from the mine; the actual cost of saving said tailings; the actual cost of transportation to the place of reduction or sale, and the actual cost of reduction or sale; and the remainder shall be deemed the net proceeds, and shall be assessed and taxed at the same rate ad valorem, as other property is taxed, as provided in this act; provided, that there shall be no allowance made for expenses incurred prior to the quarter for which the assessment is made, excepting tailings and mines producing not more than one ton of ore or mineral-bearing material per day, for which expenses may be deducted for the four consecutive quarters, preceding the quarter for which the assessment is made, and, provided further, that the net proceeds shall not a second time be assessed for taxation so long as such proceeds, in the form produced, remain in the possession of the person, firm or corporation producing the same."

The Nevada Tax Commission, by resolution passed by that body on April 6, 1915, states just what may be deducted for cost of reduction, in the following words, to-wit: (a) where the mine products are treated

ed in reduction works owned or controlled directly or indirectly by the mining company. The actual expense of reduction or treatment or sale of the said mining products.

Could anyone ask for a more definite or clearer interpretation of the law?

Furthermore, the mining companies of Nevada are supposed to be reporting and paying their bullion taxes at the present time on the basis of the interpretation of the bullion tax law as outlined above by the Nevada Tax Commission, they having agreed to do so through the Nevada Mine Operators Association. If that is the proper and correct interpretation of the law now, it certainly would apply on past years as well as at the present time. The law has not been changed in the least.

I note further that Mr. Austin says: "Our ore was sold for as high a price as could be obtained from any custom mill." I would like to remind Mr. Austin, however, that his ore was not sold to a custom mill at all, but was "theoretically" sold to the Desert Power & Mill Company, which actually is the Tonopah Mining Company of Nevada, since the Tonopah Mining Company of Nevada actually owns all of the outstanding stock of the Desert Power & Mill Company, hence the mining company was really and actually selling its ore to itself—a scheme to enable his company to evade the bullion tax on the greater part of the actual yield of the mines. Should such juggling and scheming be countenanced by law, and permitted? Any fair minded person would say no.

I further note that Mr. Austin says: "We resent any implication of fraud, etc." I would ask Mr. Austin to state for the benefit of the taxpayers of Nye county what his understanding of the word "fraud" is. Does he mean to say that for a mining company to sell its ore for less than one-half of its actual value to a mill that the said mining company owns outright, and then to receive, in addition to the "value" or "sale price" the difference between the so-called sale price plus the actual cost of reduction and the full values realized from the said ore in cash "dividends," and by such twisting and juggling evade and escape the payment of bullion taxes on the said "dividends" received from the milling company—does he mean to say that such methods are not fraudulent?

Furthermore, why should Mr. Austin be so particular at the present time to resent any "implication of fraud," when the Nye county public records show as a matter of fact that on August 22, 1914, his company paid to Nye county "additional account arrearages in bullion tax for the year 1911-1912" the sum of \$10,739.22, and also on the same date paid to Nye county "additional account arrearages in bullion tax for the year 1913" the sum of \$12,678.04, or a total of \$23,417.26, and this, too, after his company had already paid all the bullion tax reported by said company in sworn statements, quarterly, each year, as payable to Nye county under the law. If his company had already paid all that was legally payable, why did they pay \$23,417.26 additional as late as August 22, 1916, on the net yield of their mine during 1911-12 and 1913? Was this large sum fraudulently withheld during those years? Did his company accidentally discover that it had overlooked the above amount and did it voluntarily come forward and pay up? Let Mr. Austin answer.

Mr. Austin further says: "Our books have at all times been open to public officials, and have been examined by them whenever they desired." Will Mr. Austin please appear before the grand jury and state the names of the public officials

who examined the books of his company, and when such examination took place. Also, is he willing that the accountants employed by the grand jury should make an examination of the books of the Tonopah Mining Company of Nevada without prior legal action being taken?

As a taxpayer who pays all his taxes, I would ask Mr. Austin to appear before the grand jury and answer the above question, and also to give them such other information as he can that will aid the grand jury in their present investigation, including the names of the "public officials" who agreed with his company in their plan to evade payment of bullion tax.

If the Tonopah Mining Company of Nevada, or any other company, can show the grand jury that they are in error in charging them with being delinquent in the payment of, or with evasion of their proper bullion taxes as shown by the report of the accountants employed by the said grand jury to investigate the books and records of Nye county, the grand jury should make a public apology to such company, but unless they are shown to be in error, I trust and hope the said grand jury will do its full duty in the premises, without fear or favor. I am sure that it is the intention and aim of the grand jury to be fair and just to each and every citizen and taxpayer, whether they be rich or poor, prominent or obscure.

A TONOPAH TAXPAYER.

GOVERNOR ODDIE TELLS OF NEVADA PROSPERITY

PREDICTS SILVER WILL GO TO DOLLAR—BEFORE THE READJUSTMENT OF INDUSTRIES

T. L. Oddie, former governor of Nevada, came in yesterday on the Pacific Limited and accompanied by Mrs. Oddie, is at the Hotel Utah for a few days. Governor Oddie was for years actively identified with the development of numerous properties in the Sagebrush state, is thoroughly conversant with mining conditions and hence entitled to speak with authority on questions regarding the industry in his own state and the west in general, according to the Salt Lake Tribune.

"There is unquestionable an increased activity in mining in the Nevada camps," said Governor Oddie. "You can put this up to three palpable conditions—the high price

of metals, improved and cheaper methods of treating the ores and the great prosperity in the east, that has sent millions of dollars into the

west for promising profitable investment."

Governor Oddie added that he believed the prices of metals would within the next two years. He expects silver to reach the \$1 mark before the readjustment that must follow the war is made, and is confident that with the world's copper

GUILTY OF USING MAILS FOR FRAUD

CLEANED UP OVER HALF MILLION DOLLARS BY EXTENSIVE ADVERTISING

(By Associated Press.) SPOKANE, Wash., Feb. 16.—Gale Smith, S. T. Knudson, Cloyde L. Davies and O. C. Fowler, former officers of Northwestern General Trading Company and its subsidiaries, were found guilty of using the mails to defraud in the United States district court. J. C. Lawrence, secretary and treasurer of the Northwestern General Trading Company was found not guilty.

Judge W. C. Van Fleet fixed the bond of Smith at \$10,000 and the three others at \$5,000, and said that he would sentence them next Saturday. The trial of the men began January 23.

The district attorney told the jurors that the defendants had sold \$584,736 worth of stock in the companies and had paid as commissions \$219,322, which the government alleged was lost to the stockholders.

CONFUSION OF RECKONINGS RESULTS IN DISASTERS

(By Associated Press.) SAN FRANCISCO, Feb. 16.—Phantom land lured the American schooner Kola to a grave on Kangaroo Island, Australia. The schooner W. H. Marston also nearly fell a victim to a mirage and confusion of reckonings.

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